

Briefs

Livestock, Dairy, & Poultry**Decline in Cattle Inventory to Continue**

The decline in cattle inventories that began in 1996 is likely to continue at least through 2001. Cattle and beef cow inventories were both down 1 percent from a year earlier on July 1, with beef cow replacement heifers down 2 percent. Although beef cow slaughter is down, the number of heifers retained for breeding and the number of heifers calving and entering the cow herd continue to decline. Large numbers of heifers were placed on feed rather than retained for the breeding herd in 1999 and were slaughtered in first-half 2000. Although cattle prices are attractive, drought has resulted in producers continuing to place many heifers in feedlots, which will add to beef supplies early next year. Before the cattle inventory can start to stabilize, heifer retention has to begin—a process that will not be underway until 2001.

Poor pasture-range conditions due to drought in the South and West have been forcing lighter weight cattle into feedlots since early summer. During August, drought conditions worsened in these areas and spread into the Central Plains. From early August to mid-September, the share of pasture and range conditions rated “poor” and “very poor” increased dramatically in several states: Arkansas (from 13 percent to 78), Kansas (from 27 percent to 64), Missouri (from 16 percent to 56), and Oklahoma (from 6 percent to 51). In Texas, which has the largest beef cow inventory, the share increased from 51 percent to 76.

Feeder cattle supplies outside feedlots and available for grazing programs and placement on feed continue to decline—supplies outside feedlots on July 1 were down nearly 3 percent from a year earlier. Dry pasture conditions forced early weaning of this year’s calf crop, and many were placed on feed given the attractive grain prices. Prices for feeder cattle (600-650 pounds) averaged \$94 per cwt in August, \$12 above a year earlier, while corn prices averaged \$1.48 per bushel, down \$0.27.

Cattle-on-feed inventories for feedlots with over 1,000 head of capacity on September 1 in the historic seven-states were up 10 percent from a year earlier and 16 percent above 2 years ago. Feedlot placements during August remained record large, while feedlot marketings rose 8 percent. The largest increases were in the under-700-pound category as drought forced early weaning of calves. In July, many cattle weighing over 800 pounds may have been heifers that producers had originally intended to retain for the breeding herd. Large numbers of lightweight stocker cattle have been imported from Mexico to supplement declining U.S. inventory of feeder calves.

Beef production will set another record in 2000 as slaughter weights are sharply above last year’s record and continued large numbers of feedlot placements of 800+ pound cattle add to already large supplies. Production will likely rise 1-2 percent this year from the 1999 record. Cow slaughter continues to decline, but steer and heifer slaughter remains large.

Production in first-half 2001 continues to be revised upward as more cattle are forced into feedlots, but second-half production estimates for next year are pulled back to compensate for larger first-half marketings. Fewer calves are likely to be placed on fall-winter grazing programs unless forage conditions improve quickly. Low grain prices and continued strong fed-cattle prices (though declining seasonally) are encouraging large feedlot placements. Fed-cattle marketings may decline very little until second-half 2001 and only then if grazing conditions this fall begin to improve. First-half beef production is likely to decline 2-3 percent from a year earlier, while second-half production may decline 5-9 percent. Improved forage conditions and stronger heifer retention for breeding could pull 2001 production down even more.

Fed-cattle prices began to stabilize in late August through mid-September following early August lows as the market began absorbing larger supplies of higher quality beef. The price spread between Choice and Select beef declined from near \$15 per cwt in May-June to \$4 in August. The market is now testing just how much additional demand exists for higher quality beef in the hotel-restaurant-export market and how much could be sold through typical retail outlets as supplies become available. The Choice-Select spread widened to \$6 in early September. Fed-cattle prices averaged in the mid-\$60’s this summer, and are expected to rise to the upper \$60’s this fall and into the \$70’s in 2001. **AO**

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Upcoming Reports—USDA’s Economic Research Service

The following reports are issued electronically at 3 p.m. (ET) unless otherwise indicated.

October

- 4 *Aquaculture*
- 12 *World Agricultural Supply and Demand Estimates* (8:30 a.m.)
- 13 *Cotton and Wool Outlook* (4 p.m.)**
- 13 *Rice Outlook* (4 p.m.)**
- 16 *Feed Outlook* (9 a.m.)**
- 16 *Wheat Outlook* (9 a.m.)**
- 17 *Fruit and Tree Nuts Yearbook**
- 20 *Agricultural Outlook**
- 23 *Oil Crops Yearbook**
- U.S. Agricultural Trade Update*

*Release of summary, 3 p.m.

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